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DEMAND and PRICE SITUATION

WASHINGTON, D. C., JUNE 1954



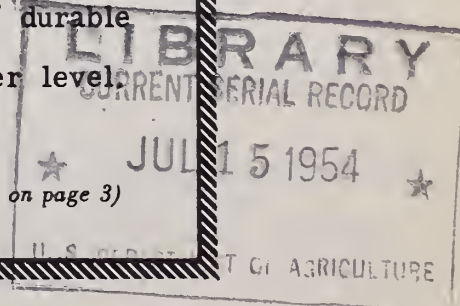
Approved by the Outlook and Situation Board, June 18, 1954

SUMMARY

Prices received by farmers have been relatively steady this year at levels about 2 percent below a year earlier. Reflecting slight declines in prices and marketings, farmers' cash receipts in the first five months were down 4 percent from the same period in 1953. Prices paid by farmers for commodities, interest, taxes and wages averaged steady at levels slightly above a year ago and the parity ratio, at 91 so far this year, was about 3 percent below a year earlier.

Economic activity leveled out in April and May following a downward drift since mid-1953. A moderate firming is now indicated in some sectors. Total employment rose in May with a seasonal increase in agricultural employment and other outdoor activities. Industrial production increased from the April rate as steel output and automobile production picked up a little. Investment demand for new construction and producers' durable equipment apparently is holding near the first quarter level.

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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1953		1954			
		Year	May	Feb.	Mar.	Apr.	May
Industrial production: <u>1/</u>							
Total.....	1947-49=100	134	137	124	123	123	125
All manufactures.....	do.	136	139	126	124	125	126
Durable goods.....	do.	153	156	139	135	134	135
Nondurable goods.....	do.	118	123	113	114	115	117
Minerals.....	do.	116	117	113	112	111	112
Total outlay for new construction <u>2/</u>	Million dollars	35,256	2,932	3,050	3,001	3,018	3,052
Residential.....	do.	11,930	1,003	972	981	1,023	1,053
Total civilian employment <u>3/</u>	Million	61.9	61.7	60.1	60.1	60.6	61.1
Nonagricultural.....	do.	55.4	55.3	54.4	54.2	54.5	54.3
Unemployment.....	do.	1.5	1.3	3.7	3.7	3.5	3.3
Income:							
Nonagricultural payments <u>2/ 4/</u>	Bill. dol.	267.4	267.2	266.0	266.2	266.1	
Production-worker payrolls <u>5/</u>	1947-49=100	151.6	151.9	140.5	138.4	135.0	
Weekly earnings of production-workers in manufacturing <u>5/</u>	Dollars	71.69	71.63	71.28	70.71	70.20	71.13
Durable.....	do.	77.23	77.19	76.38	76.00	75.43	76.40
Nondurable.....	do.	63.60	63.20	64.02	64.02	62.70	63.74
Prices:							
Wholesale prices, all commodities <u>5/</u>	1947-49=100	110	110	110	110	111	111
Commodities other than farm and food.....	do.	114	114	114	114	114	114
Farm.....	do.	97	98	98	98	99	98
Food, processed.....	do.	105	104	105	105	106	107
Prices received by farmers <u>6/</u> ..	1910-14=100	258	263	258	256	257	258
Crops.....	do.	242	247	237	239	240	249
Livestock and products.....	do.	273	277	277	271	271	267
Prices paid, interest, taxes and wage rates <u>6/</u>	1910-14=100	279	280	282	283	283	284
Items used in living.....	do.	270	270	271	272	273	276
Items used in production.....	do.	253	256	255	255	256	256
Parity ratio.....		92	94	91	90	91	91
Consumer price index <u>5/</u>	1947-49=100	114	114	115	115	115	
Food.....	do.	113	112	113	112	112	
Government purchases of goods and services <u>2/ 7/</u>	Billions of dollars	84.9			82.2		
Federal (Less Govt. sales).....	do.	59.7			55.1		
State and local.....	do.	25.2			27.1		

Annual data for the years 1929, 1932 and 1935-53 appear on page 31 of the April 1954 issue of the Demand and Price Situation.

1/ Federal Reserve Board.

2/ U. S. Department of Commerce.

3/ Bureau of the Census.

4/ Monthly totals seasonally adjusted at annual rates.

5/ U. S. Department of Labor, Bureau of Labor Statistics.

6/ U. S. Department of Agriculture, Agricultural Marketing Service.

7/ Quarterly totals seasonally adjusted at annual rates.

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Retail purchases of both durable and nondurable goods in April and May were above the first quarter rate despite a small decline in May. Sales by retail food stores were about equal to levels of a year earlier, but slightly below the peak in the fall of 1953. Prices at retail and wholesale levels were in general fairly stable in May.

Business investment in new plant and equipment continues to slip off gradually this year from the record levels of 1953. Long run expansion and modernization programs, which are continuing high despite the sharp curtailment in industrial production and reduced spending for defense, have been an important factor in stabilizing business conditions. Construction activity has been at record levels, establishing new highs for each month of this year. Commercial construction and building of schools, churches, and social and recreational facilities particularly, have exceeded last year's rates by a wide margin.

Government expenditures in the second quarter are expected to be down somewhat from the January-March period. Outlays for national security programs continued to slip off gradually in April and May according to preliminary indications. Other federal spending also was slightly lower.

Commodity Highlights

Early in June prices of most grades and classes of cattle were equal to or a little above a year earlier. Prices of light to medium weight hogs averaged somewhat above early June 1953, but sows and heavy barrows were below. Seasonal price declines are in prospect this summer for grass cattle, hogs, and lambs, but fed cattle prices are expected to continue relatively steady. Unless adverse weather reduces production, prices received by farmers for milk and butterfat probably will continue near present levels for the rest of the year, except for seasonal increases in many fluid milksheds. Production trends point to record output of eggs in 1954 and for record broiler output at least through the summer. A turkey crop approaching the 1952 record is indicated. Supplies of soybeans available for crushing in June-September 1954 are estimated at 44 million bushels, 35 percent less than a year ago and the lowest since 1944. Corn prices probably will continue comparatively stable this summer. Prices of other feed grains are expected to decline seasonally as the 1954 crops are harvested, if growing conditions continue favorable. Wheat production, estimated at 1 billion bushels as of June 1, is in excess of prospective domestic demand and probable exports. The increase in the carryover at the end of the next marketing year is likely to be much less than in either of the last two years. Stocks on July 1, 1954 are expected to total 900 million bushels, up from 256 million on July 1, 1952. Supplies of several early-season deciduous fruits, particularly peaches, apricots, sweet cherries, and fresh plums, are expected to be somewhat smaller in July 1954 than in this month of 1953, and grower prices for these fruits may average higher than in July 1953. Indications are that commercial production of vegetables this summer would be somewhat larger than a year earlier, but prices received by farmers probably will average close to those of last year. Total output of vegetables for processing this year is expected to be smaller than that of last year. Supplies of potatoes in the next month or so are expected to be smaller and prices received by farmers higher than in the same period last year. The average 10 spot market price for cotton in May was higher than in any month since November 1952. During May and early June, prices of wool in foreign markets continued the gradual advance which began late in March. The advance abroad was reflected to some extent in strengthened prices in domestic markets. Domestic consumption of both flue-cured and Burley tobacco (the major cigarette types) in the current marketing year is likely to be around 3 percent below the record highs of 1952-53. Domestic consumption of most other types of tobacco probably will be fairly close to that in 1952-53.

GENERAL BUSINESS CONDITIONS

General economic activity leveled out in April and May, with a moderate firming up in some business indicators. Industrial production held about a tenth below mid-1953 in April, and rose a little in May. New construction activity continued at record levels. Unemployment declined about seasonally, while employment rose somewhat less than usual. Consumer incomes were down a little from the first quarter rate, reflecting

a small decline in factory employment and a somewhat shorter average work-week. Retail buying rose in April with increases fairly general for most types of goods; it declined a little in May but remained above the average rate for January-March. The wholesale price index held fairly steady during May after rising a little in April but declined slightly in early June.

Consumer Income and Spending

Consumer income after taxes in the first quarter of this year was nearly 2 percent higher than the same period in 1953, and equaled the record of the third quarter of last year. Disposable incomes declined a little in April and May, as personal income payments were lowered by a further decrease in employment in factories and mines.

Personal incomes (before taxes) have been decreasing steadily since July of last year, largely because of the drop in employment in manufacturing and mining. Wage and salary payments in the commodity-producing industries were at an annual rate of 83.8 billion dollars in April, down 0.6 billion from March and nearly 7 billion from July 1953. However, the decline from last July was partly offset by higher unemployment compensation payments and an increase in personal income from interest and dividends.

Consumer Spending Near Record Levels

With incomes available to consumers for spending holding up through the early part of this year, personal consumption expenditures were maintained at high levels. Outlays in January-March were at an annual rate of 229.8 billion dollars, a little above a year earlier and only slightly below the record of the third quarter of 1953. Much of the gain over the past year has come from increased spending for services. Outlays for services in January-March this year were nearly 7 percent higher than in the same period last year. However, expenditures for durables dropped 7 percent over the year and spending on nondurables also was down slightly.

Retail sales in April, after allowance for the later date of Easter and other seasonal factors, rose more than 2 percent from March, and for the first time this year were up to the corresponding months of 1953. The average for March and April was down about 2 percent from the same months of 1953. Sales by nondurable goods stores in April were higher than a month earlier and April last year. Durable goods stores sold only slightly more than in March, but their sales were 5 percent lower than last April. Sales by automotive dealers rose seasonally during the month. Motor vehicle sales got off to a poor start in the first part of this year, but lately have improved. Trade reports indicated April was one of the best months of the postwar period for sales of used cars. Inventories were held below a 30-day supply for the second successive month and at the beginning of May were no higher than a year ago. A further pickup in sales of used cars was reported for May. Sales by apparel, general merchandise, and eating and drinking places also rose substantially during the month.

Total retail sales in May, when adjusted for seasonal factors and trading day differences, were about 1 percent below April and 3 percent below May 1953. Most significant changes from April among major lines were declines in the apparel and automotive trades. Department store sales in May, after seasonal adjustment, were 7 percent below a year earlier and down 1 percent from April.

Total consumer credit outstanding at the end of April was 27.3 billion dollars, slightly higher than at the end of the previous month, but 5 percent below the peak of last December. The recent increase resulted largely from a seasonal rise in charge accounts, which reflected the large volume of Easter sales. After seasonal adjustment the volume of new installment credit granted continued to run less than repayments, though by a much smaller amount than in the first three months of the year. Compared with a year earlier the rate of extensions was down 11 percent, while the rate of repayments was 3 percent higher.

Investment Demand Continues Strong

Private investment in new construction and producers' durable equipment has been stable for a year. The annual rate in the first 3 months of this year of 51.6 billion dollars, was about the same as in the last 9 months of 1953. As in the previous quarter, there were moderate increases in new construction and reductions in durable equipment purchases.

Because of the shift from rapid inventory accumulation to inventory liquidation total private domestic investment declined from an annual rate of 58.5 billion dollars in the second quarter of 1953 to 46.8 billion in January-March 1954.

The rate at which inventories were being worked down was stepped up in the first quarter of this year to an annual rate of 4.8 billion dollars, compared with 3.0 billion in the last three months of 1953. Business inventories at the end of April were down 487 million dollars from a month earlier. This is a somewhat more rapid rate of liquidation than occurred in the first quarter.

Business Outlays for New Plant And Equipment Ease Off

Business expenditures for new plant and equipment in the first three months of this year were at an annual rate of 27.5 billion dollars, down 4 percent from the October-December period of last year, and 2 percent below January-March 1953. These estimates were based on the May survey by the Securities and Exchange Commission and the Department of Commerce. Capital outlays for each major industry group were lower than in the previous quarter. They also were lower than in the first three months of last year for each group except transportation other than rail, and the "commercial and other." For the first 9 months of this year, spending for new plant and equipment is expected to be down 5 percent from the same period of last year. Outlays by railroads are scheduled to be off a third, manufacturing and other transportation industries 7 percent. Capital investment by public utilities is expected to be down 4 percent from the first 3 quarters of last year, but a rising trend is indicated for those months this year. Only the commercial and other group expects capital expenditures to be larger.

Construction Activity At Record Rate

Outlays for new construction were a record in the first 5 months of this year, 2 percent above the previous high for this period recorded in 1953. The gain resulted primarily from a large increase in commercial construction--warehouses, office buildings, stores, restaurants, and garages--and related types of construction such as schools, churches, recreational facilities, highways, sewers, and water facilities, all of which are associated with the rapid suburbanization of the population. Private industrial construction was down 13 percent as investment programs tapered off. Public spending was down 40 percent for military installations, 18 percent for conservation and development work, and 4 percent for public industrial facilities.

The value of private residential building in the first 5 months was 1 percent larger than last year, although the total number of new housing starts was 1 percent lower. However, in April new private housing starts were at the highest monthly level in more than 3 1/2 years, reflecting a rapid increase in the number of 100 percent 30-year mortgages on houses sold to veterans. Public housing outlays this year were down 30 percent from a year ago. Construction contract awards and the recent large volume of starts indicate that residential construction will continue high for the next few months. Residential contract awards in April, after adjustment for seasonal variations, were up 4 percent from a month earlier and nearly a fifth higher than a year ago. Awards for heavy construction including industrial facilities have declined a third from their record of last October. The value of contract awards in the first three weeks of May was at a monthly rate sharply higher than April, with large gains in all categories of awards.

New construction expenditures for 1954 as a whole are expected to reach a new record high of 36 billion dollars, 2 percent above the 1953 record, according to revised outlook estimates prepared jointly by the Department of Commerce and the Department of Labor. Residential building is expected to be 2 percent higher, with new private housing starts totaling 1,080,000, somewhat higher than last year. Commercial and most other types of nonresidential construction also are expected to be up. Public outlays for schools, highways and sewer and water facilities are indicated at levels above 1953, but public housing and outlays for military facilities will be down substantially.

Government Purchases Down

Much of the decline in gross national product since the second quarter of last year has been related to the drop in national security expenditures. As purchases of military hard goods were reduced and some defense plants were placed in a stand-by status, requirements for working inventories were reduced. Much of the decline in inventories that has taken place since the fall of last year probably can be directly or indirectly attributed to the decline in defense spending for goods and services. The 3 billion dollar drop in national security expenditures

in the first quarter was the largest single factor in the decline that took place in gross national product. Other federal expenditures also were lower in the first three months of this year. But a further increase in outlays by state and local governments was an offsetting factor.

In April state and local spending increased with the more than seasonal gains in construction of highways and schools. But expenditures by the Federal government were down further as defense spending was reduced and price support outlays dropped off.

Production and Employment Steady

The Federal Reserve Board index of industrial production leveled out in April and rose nearly 2 percent in May, after seasonal adjustment, the first increases since July 1953. However, the index was still 9 percent below the record level of a year ago. Steel production rose slightly in May, although it usually tapers off after March. Reduced inventories of some items, uncertainty regarding Indo China, and some forward buying in anticipation of higher prices or a possible strike in the steel industry probably were largely responsible for the small pick-up in steel mill activity.

The index of automobile production in May was up 4 percent, but assemblies for the first half of the year may total about 9 percent less than the record production in the first half of 1953. New car inventories are still high; however, and if retail sales do not hold up in the next few months, production might well be curtailed more sharply in the second half of the year than would be expected on seasonal grounds alone. Output of major household durables also was up a little. Among the nondurables, increases in output were reported in food, chemical, textile and apparel, and rubber and leather industries. Minerals production was higher with a 10-percent gain in coal mining and a pick-up in mining of iron ore.

Manufacturers' sales in April were 1 percent higher than in March, after seasonal adjustment. Sales by manufacturers of both durables and nondurables increased, with gains in motor vehicles, primary and fabricated metals, furniture and fixtures, food, apparel and chemicals. New orders placed with manufacturers in March were 10 percent higher than in January. They rose a little further in April, but most of the gain was in nondurable industries which fill orders upon receipt. Manufacturers' backlogs of new orders continued to decline in April, dropping 3 percent during the month as deliveries exceeded new orders. Unfilled orders on manufacturers' books at the end of April were down 30 percent from a year earlier. Machine tool orders slumped during April to a post-Korean low; the backlog of new orders also continued to slide.

Employment Steady

Total employment in early May was higher than a month earlier, agricultural ~~employment~~ and other outdoor activity ~~increased~~. Employment, after adjustment for seasonal factors, was down further for manufacturing

and mining and a small reduction also was reported for contract construction. Employment in retail trade was up about 1 percent, but most other nonfarm categories showed little change from a month earlier. Unemployment declined, but not as much as in most other postwar years, to 3,305,000 from 3,465,000 in April.

Commodity Prices

The all commodity index of wholesale prices held fairly steady during May but declined slightly in the first two weeks of June. Prices for farm products averaged 4 percent and processed foods 2 percent lower than in mid-May, industrial prices about the same. However, the index continues at about the level of the past two years. The consumer price index declined 2/10 of 1 percent in April. Food prices and charges for rent and medical care were higher, but other housing costs and charges for some services were down more than 1 percent during the month. Prices paid by farmers for commodities used for family living rose for the third consecutive month, lifting the index 1 percent over its mid-April level to a new all-time high in mid-May. Most of the advance resulted from higher food prices. Prices for coffee, vegetables and fruit rose and were only partly offset by declines for dairy and poultry products. Prices paid for clothing and laundry supplies also were up, but many other categories of living items showed little change.

Table 1. - Indexes of wholesale prices, selected groups,
June 15, with comparisons

Group	(1947-49=100)					
	:	:	:	:	June 15, 1954	
	:	June 15,	May 11,	June 16,	percentage change from	
	:	1954	1954	1953	May 11,	June 16,
	:	:	:	:	1954	1953
<u>Wholesale prices</u>	:					
All commodities	:	110.0	111.0	109.3	-0.9	0.6
Farm	:	94.7	99.0	95.5	-4.3	-.8
Food, processed	:	104.8	106.8	103.2	-1.9	1.6
All other than farm :	:					
and food	:	114.4	114.4	113.5	0	.8

AGRICULTURE: CURRENT SITUATION

Consumer incomes and demand for food and other farm products continue near first quarter levels. Expenditures for food were estimated at 26 percent of consumer income after taxes in the first quarter, the same percentage as last year. Estimates of the retail value of meat consumed also indicate that demand for meat is holding up well. Sales by retail food stores in the first five months of this year held near levels of the corresponding period of 1953. Exports of farm products in the first 10 months of the marketing year beginning last July totaled the same as for that period of a year earlier. Increases in exports of cotton, tobacco, and fats and oils offset decreases in wheat, barley and grain sorghums.

Supplies continue large for major farm products including meats, poultry products, dairy products, most of the grains, cotton, and fats and oils. However, large movement under price support programs are limiting supplies available in commercial channels. Output this year is expected to total near 1953 levels if growing conditions continue favorable.

Rains during May further improved the soil moisture situation in the Great Plains, particularly in the western half of Texas where the soil moisture reserve is now reported to be the best in the past several years, and range prospects are very good. East of the Great Plains topsoil moisture is generally ample for current crop needs. Moderate to heavy rains late in the month restored adequate moisture in locally dry areas of the North Central interior and the northern Great Plains. In the far West hot, dry weather prevailed during the early weeks of the month, and pastures and ranges dried rapidly. In the latter part of the month and in early June weather averaging below normal retarded growth and caused some frost damage.

Table 2.- Indexes of prices received and paid by farmers,
May 15, 1954 with comparisons

Group	(1910-14=100)					
				May 15, 1954		
	May 15,	Apr. 15,	May 15,	percentage change from		
	1954	1954	1953	Apr. 15,	May 15,	
				1954	1953	
All farm products	258	257	263	1/	-2	
All crops	249	240	247	4	1	
Food grains	227	234	242	-3	-6	
Feed grains and hay	207	208	212	2/	-2	
Cotton	272	267	269	2	1	
Tobacco	446	443	426	1	5	
Oil-bearing crops	286	283	286	1	0	
Fruit	215	217	206	-1	4	
Potatoes, sweetpotatoes and dry edible beans ..	210	147	200	43	5	
Commercial vegetables for fresh market	279	225	259	24	8	
Livestock and products ...	267	271	277	-1	-4	
Meat animals	331	333	317	-1	4	
Dairy products	230	237	256	-3	-10	
Poultry and eggs	168	178	218	-6	-23	
Wool	305	301	310	1	-2	
Prices paid, interest, taxes, and wage rates	284	283	280	1/	1	
Items used in living	276	273	270	1	2	
Items used in production ..	256	256	256	0	0	
Parity ratio	91	91	94	0	-3	

1/ Less than 0.5 percent increase. 2/ Less than 0.5 percent decrease.

Prices Received Slightly Higher

The index of prices received by farmers increased 1 point during the month ending May 15. Higher prices for potatoes and cattle and high prices for early marketings of new crop cantaloups and watermelons more than offset decreases for hogs, milk, and strawberries. The index was 258 (1910-14=100) compared with 263 a year earlier. The parity index (prices paid, interest, taxes and wage rates) also rose 1 point to 284, largely because of the increase in the index of prices of family living items. The parity ratio held unchanged at 91, 3 percent lower than a year earlier.

Central market prices for many agricultural products in early June averaged somewhat less than in mid-May. The price of No. 2 Hard Winter wheat at Kansas City dropped sharply and on June 11 was nearly 7 percent below mid-May. Average weekly prices at Chicago were 7 percent lower for barrows and gilts and down 9 percent for slaughter cows. Eggs, Midwestern, mixed colors, Fancy, Heavy weights, 65 percent-A were off 10 percent. The 10 market average for Middling 15/16 inch cotton was off 1 percent. Soybeans and No. 3, Yellow corn at Chicago were about the same as mid-May prices. Old crop potatoes brought higher prices in early June. Delmarva broilers were about 10 percent above mid-May.

FARM INCOME

Farmers received about 10.3 billion dollars from marketings in the first 5 months of 1954, down 4 percent from last year, partly because of lower average prices. Cash receipts from livestock and products were 7.0 billion dollars, about the same as in 1953, with smaller receipts for eggs, chickens, milk, and butterfat offsetting larger receipts from hogs. Crop receipts of about 3.3 billion dollars, were 10 percent below a year ago. Receipts were down especially for wheat, cotton, soybeans, tobacco, truck crops and potatoes.

Total cash receipts in May are tentatively estimated at 1.9 billion dollars, slightly above April but a little below May 1953. Receipts from livestock and products of 1.4 billion dollars were about 3 percent above April because of larger receipts for cattle, butterfat and milk. They were slightly below May 1953, however, because of lower receipts from butterfat, milk and eggs. Crop receipts in May were about 0.5 billion dollars, about the same as in the previous month but slightly below May of last year.

LIVESTOCK AND MEAT

Prices of most grades and classes of cattle in early June were equal to or a little above a year earlier. Prices of light to medium weight hogs averaged somewhat above early June 1953, while prices of sows and heavy barrows, which declined fairly sharply with increased marketings, were below 1953 prices. Prices of lambs have been below last year.

Seasonal price declines are in prospect for grass cattle and lambs. Unless drought occurs, prices probably will not drop as sharply as last fall. More cattle moved into feed lots this winter and spring than last year. Consequently, fed cattle prices are expected to continue relatively steady this summer and are not likely to advance at mid-summer as they did a year ago. This fall fed cattle prices may average slightly below last fall. Hog prices will probably show an early seasonal decline which will carry them below 1953 levels. However, hog prices in the latter part of this year are expected to remain relatively favorable to producers.

Cattle slaughter, which totaled greater so far this year than last is not expected to average any larger the second half of this year than last. Hog slaughter, however, will exceed last year's low rate.

DAIRY PRODUCTS

Unless adverse weather reduces production, prices received by farmers for milk and butterfat probably will continue near present levels for the rest of this year, except for seasonal increases in many fluid milksheds.

Prices for feed concentrates have declined less the past year than dairy prices in most regions of the country. Both the milk-feed and butterfat-feed price ratios are considerably below average. However, milk production in May was still 4 percent above a year earlier, though on an annual rate basis was lower than at any time since last fall. In the 5 months of this year 53.4 billion pounds of milk was produced, 4 percent more than the 51.1 billions of a year earlier.

Except for butter, latest available data indicate that the reductions in prices on manufacturing milk have not been passed through to the retail level. Both American cheese and evaporated milk have declined less than half of the equivalent drop in support levels. Prices of ice cream per pint also have declined little, though in many sections of the country substantial reductions have occurred for larger containers. On the whole, however, consumer prices probably will come down further. The average price per quart of milk shows a decline of only .5 cent from a year ago, but discounts on volume purchases are bigger and more general than they were last year.

Private stocks of dairy products were reduced to minimum levels on April 1 and are now increasing seasonally. Holdings of all items except butter are below a year earlier. Government holdings of butter and cheese are continuing to increase but stocks of dry milk have been sharply reduced through sales to domestic manufacturers of animal feeds. A loan program has been instituted on dry whey and buttermilk to prevent declines in prices as a result of sales of nonfat dry milk to feed mixers.

EGGS AND POULTRY

Production trends point to record output of eggs for the year, and for record broiler output through at least the summer. Another large turkey crop is indicated, approaching the 1952 record.

To April 1 the number of replacement chicks produced by hatcheries was 18 percent above a year earlier, so egg production this fall is expected to be high. However, output of replacement chicks in May was below last year by 6 percent; but this will not affect egg production until late winter and early spring.

Egg production, now near the end of the flush production period, continues larger than current consumption. Demand for eggs for frozen storage is weak because stocks already considerably exceed last year--in mid-June holdings in 35 principal cities were 14 percent above 1953. Storage of eggs in the shell also is being discouraged by the prospect of record egg production the last half of this year when the stored shell eggs would be sold. Prices received by farmers in mid-May averaged 33.1 cents per dozen, compared with 45.7 cents a year earlier.

Turkey poult production in commercial hatcheries from January through May was 6 percent larger than last year for heavy breeds, and 19 percent larger for light breeds. Eggs in incubators June 1, suggest a larger hatch in the first 4 weeks of June than for that period a year earlier. Last year, 96 percent of the heavy breed poults and 67 percent of the light breeds were hatched before July 1.

Broiler prices strengthened in the last week or so of May and into June, particularly in the Northeast. On the Del-Mar-Va peninsula, the average price for the week ended May 13 was 22.1 cents per pound, while average prices in the three following weeks ranged from 24.5 to 25.0 cents. However, supplies will continue large, and marketings of other poultry are increasing seasonally.

OILSEEDS, FATS AND OILS

Supplies of 1953 crop soybeans available for crushing in June-September 1954 are estimated at about 45 million bushels, about 35 percent less than supplies a year ago and the smallest since 1944. The 1953 crop is the smallest since 1949. Exports through May are estimated at a record 36 million bushels, 10 million more than a year ago. Also, compared with last year, a larger portion of the estimated crop year crush already has been processed. Soybean prices have declined considerably from the peak reached in the latter part of April but prices still are higher than any monthly average since 1948. Prices received by farmers for soybeans in May were 125 percent of parity.

Commercial supplies of flaxseed are insufficient for domestic requirements and through June 15 crushers purchased 0.5 million bushels from CCC at prices equal to the 1953 crop support level. Flaxseed prices through most of the crop year were below support and producers are expected to deliver about 15 million bushels, or about 40 percent of the crop, to CCC.

Through mid-June, CCC also sold about 3 million bushels of flaxseed for export at \$2.60 per bushel, Atlantic Seaboard ports. CCC has sold 325 million pounds of linseed oil for export at prices about half those in the domestic market. The Corporation still has about 250 million pounds of oil.

Prices of edible vegetable oils and linseed oil have shown a slight upward tendency, as commercial supplies have been comparatively small. Lard prices have fluctuated considerably in recent months and are now near those for the edible vegetable oils. Butter prices are around the support level. Prices of inedible tallow and greases have declined somewhat in recent weeks, probably reflecting some increase in stocks.

CORN AND OTHER FEED

Prices of corn and other feed grains rose gradually in early June to levels slightly higher than in the same period of 1953. Corn prices probably will continue comparatively stable this summer. Supplies of "free" corn are relatively short, but the CCC is selling 1948 and 1949 corn at about current market prices. Prices of other feed grains are expected to decline seasonally as the 1954 crops are harvested, if the growing season continues favorable.

Prices of most of the byproduct feeds declined during May from high points reached in the last half of April. While the drop in the price of soybean meal was especially pronounced, in early June soybean meal was still high relative to most other feeds. The index of high protein feed prices for May was 22 percent higher than a year earlier, with greatest increases in prices of soybean meal, tankage, and meat scraps. Commodity Credit Corporation sales of dried skim milk for feed totaled 210,000 tons through June 17 adding materially to the high protein feed supplies available for use this spring and summer.

Through May 15, farmers had placed 406 million bushels of 1953 corn under Government loan and purchase agreement. In addition 433 million bushels of corn were owned by CCC on May 1 and about 45 million bushels of 1952 corn were resealed on farms. A record carryover of around 950 million bushels of corn is in prospect for next October 1, the bulk of which will be under loan or owned by CCC. The special export allowance for CCC-owned corn will be terminated October 1, to permit orderly marketing of the new crop.

The growing season through June 1, was generally favorable for feed crops. Corn planting was completed earlier than usual in most of the Corn Belt. The condition of the crop was generally good in early June, although cool, wet weather has delayed growth and cultivation. Oats and barley crops continue in good condition, although cold weather

has delayed growth in areas of the mid-West. Although pastures have improved materially in the Southwest they were below average for the country as a whole on June 1. The 1954 hay crop is expected to be a little below the 1953 crop of 105 million tons. With a record carry-over of feed grain in prospect, continued favorable weather this season would be expected to give a record supply of feed grains and other concentrates for the 1954-55 feeding season.

WHEAT

The United States 1954 wheat crop, now estimated at 1 billion bushels, is in excess of prospective domestic use and probable exports during the next twelve months. Unless exports are increased substantially there will be a further increase in carryover stocks by June 1, 1955. However, the increase in the carryover will be materially smaller than in each of the last two years. The winter wheat crop was forecast at 740 million bushels as of June 1, 16 percent less than the 1953 harvest. The first estimate of spring wheat production as of June 1 was 260 million bushels, 11 percent below the 1953 crop. Contributing to this smaller outturn were the reduction of about one-fifth in sown acreage and heavy abandonment of winter wheat in some areas; but these were partly offset by higher than average prospective yields.

On the basis of domestic disappearance and exports, a carryover of about 900 million bushels is in prospect for July 1, 1954. The official estimate of the stocks of old crop wheat will be released June 23. It is expected that almost all of the carryover will be held by the CCC or otherwise be under the support programs.

Cash wheat prices, in general, have declined sharply since early May. Prices of No. 2 Hard Winter, ordinary protein, at Kansas City declined from \$2.45, the high for the season, on May 5 to \$2.02 on June 18. The decline since May 5 for No. 2 Soft Red Winter Wheat at St. Louis was 28 cents, and No. 1 Dark Northern Spring at Minneapolis, 14 cents. Prices at Portland were the exception. No. 1 Soft White was unchanged on June 10 compared with May 5. Prices, especially of winter wheat usually start to decline seasonally sometime in May, and reach a low for the season in either June, July, or August.

Under existing legislation, when marketing quotas are required, they are to be proclaimed by the Secretary of Agriculture by July 1, and a date set for a referendum of producers not later than July 24. National acreage allotments must be proclaimed not later than July 15.

FRUIT

Supplies of several early-season deciduous fruits, particularly peaches, apricots, sweet cherries, and fresh plums, are expected to be somewhat smaller in July 1954 than in this month of 1953, according

to the June 1 Crop Report. Grower prices for these fruits may average a little higher than in July 1953. Supplies of late spring strawberries, of which harvest extends into summer, also are expected to be smaller, and prices may be higher than a year ago. Because the California Valencia orange crop, which provides most of the summer oranges, is about a third smaller than a year ago, supplies will be smaller, and prices are expected to be higher, than in the summer of 1953. Remaining supplies of lemons for this summer are about as large as a year ago. With expected strong demand for lemons for making into frozen concentrate for lemonade as well as seasonally-heavy fresh use, prices may average near those of the summer of 1953.

Prospects for the 1954 deciduous fruit crop on June 1 were generally good. Production of pears is expected to be about the same as in 1953; that of fresh plums, apricots, and sweet cherries, smaller; and that of peaches and dried prunes in California, larger. Although the peach crop in the 10 Southern early States, which is shipped mainly during June, July, and early August for fresh use, is smaller than in 1953, the California freestone crop, much of which also is shipped fresh, is larger. Smaller pear crops are expected in Washington and Oregon, while a larger crop of Bartlett pears, used extensively for canning, is forecast for California. A smaller crop of winter pears is in prospect. Except for possibly apricots and sweet cherries, adequate supplies of the major deciduous fruits probably will be available for the usual volume of processing.

In Florida the packing season for canned and frozen citrus fruits and juices was rapidly drawing to a close in early June. By June 5, over 64 million gallons of frozen orange concentrate had been made, about 46 percent more than by that date in 1953. Output this season is from about 47 million boxes of oranges, over half of the Florida crop. Packer's stocks of frozen orange juice, mostly from Florida oranges, were about 52 percent larger on June 1, 1954 than a year earlier. But rate of consumption is higher this year than last. The 1953-54 pack of canned single-strength citrus juices in Florida is about 14 percent larger than the 1952-53 pack. Packers' stocks on June 5, 1954 were 24 percent larger than a year earlier.

Stocks of frozen deciduous fruits and berries (excluding juices) in cold storage June 1, 1954 were about 198 million pounds, 52 percent larger than a year earlier. Stocks of frozen strawberries showed a net increase of about 7 million pounds during May to bring the June 1 total to 58 million pounds. Stocks of all other items declined that month. As the new deciduous crops are harvested during the late spring and summer, stocks increase and reach a seasonal high usually by October 1.

COMMERCIAL VEGETABLES

For Fresh Market

Indications as of June 1 were that total commercial production of vegetables this summer would be somewhat larger than a year earlier. The output of lettuce, the only major fresh market vegetable for which

a full summer crop forecast is currently available, is expected to be 8 percent smaller this year than last. The mid-summer cantaloup crop probably will be about as large as that of the preceding year. For the vegetables for which early summer production was forecast, June 1 indications point to a 12 percent larger volume to be marketed from late June to about mid-August this year than last. Among the early-summer vegetables, significant increases over last year are expected for carrots, sweet corn, honeydew melons, green peppers, tomatoes and watermelons, while reduced output is in prospect for cabbage, cantaloups, and onions. The near-future domestic demand for fresh vegetables is expected to continue relatively strong, and if output is no larger than currently anticipated, prices received by farmers for the early summer crop of vegetables probably will average close to those of last year.

For Commercial Processing

The total output of vegetables for processing this year is expected to be smaller than that of last year. Indications as of June 1 are that the total acreage planted to these commodities is about 5 percent below last year, with increases for green lima beans, snap beans, and pimientos more than offset by acreage declines for the other important commodities. Unofficial reports on acreage contract negotiations for some of the major items indicate that the general level of prices received by farmers for vegetables to be processed may be below that of 1953.

POTATOES AND SWEETPOTATOES

Fewer potatoes will be marketed in the next months or so than a year earlier, unless early season shipment from the late States are considerably heavier than in 1953. Production for late spring marketing was down 25 percent from corresponding output last year, according to June 1 indications, and prospects are for an 8 percent smaller harvest this year than last in the summer commercial States. May was the first month this year in which prices received by farmers for potatoes were higher than in the same months in 1953.

Prices received by farmers for sweetpotatoes in each month through mid-May this year have been a third or more lower than the relatively high prices in the comparable months of 1953. Last year prices declined rather sharply between mid-July and mid-October as marketings from the 1953 crop increased seasonally. The seasonal decline is not expected to be as sharp this year unless the 1954 crop is much larger than indicated by March planting intentions and average yields per acre in recent years.

COTTON

The average 10 spot market price for cotton in May 1954 of 34.42 cents per pound was higher than in any month since November 1952. The average price of 32.17 cents per pound received by farmers

for upland cotton in mid-May was also up--0.44 cents higher than a year earlier and the highest since mid-October 1953.

Record foreign consumption and smaller foreign supplies have stimulated U. S. exports in recent months. The 418 thousand running bales exported during April were the largest for the month since 1951. Private trade reports indicate that exports continued large in May. Exports from August 1, 1953 through April 1954 were 2,758 thousand bales, compared with 2,453 thousand during the same period a year earlier.

The average daily rate of mill consumption of cotton during May of 32.8 thousand bales showed about the usual seasonal decline from the April rate. The May 1954 rate compared with 37.4 thousand bales in May 1953.

Stocks held by the Commodity Credit Corporation (pooled to producers' accounts, owned, and pledged as collateral against loans) continued to decline. On June 11, they were 7,285 thousand bales. This compared with the peak CCC stock of 8,419 thousand bales on February 12.

WOOL

Prices of wool in foreign markets during May and early June continued the gradual advance which began late in March. At mid-June, prices of most wools at the Australian auctions were slightly higher than a month earlier but were a little lower than a year earlier.

The advance abroad has been reflected to some extent in strengthened prices in domestic markets. At mid-June, quotations for most imported and domestic wools were slightly higher than a month earlier. Prices received by growers at mid-May averaged 54.3 cents per pound, grease basis, compared with 53.6 cents a month earlier, 55.7 cents a year earlier, and the national average support level to the grower of 53.2 cents under the 1954 program.

World consumption of wool during the first quarter of this year is estimated to have been about 5 percent lower than during the previous quarter and about 9 percent below a year earlier. Use of apparel wool by domestic mills in the first quarter was down about one-third and of carpet wool about one-fifth from a year earlier. The rate of consumption of apparel wool in April was up a little from March but still one-fourth below a year earlier. Consumption of carpet wool was down a little in April and continued about one-fifth below 1953.

The quantity of dutiable wool imported for consumption during the first quarter, equivalent to about two-fifths of total reported apparel wool consumption, was less than half that of the same months of 1953. Imports of duty-free wool were equivalent to about three-fourths of reported carpet wool consumption and were about half those of a year earlier.

As of May 28, CCC holdings amounted to about 122 million pounds, actual weight, around a fifth more than a year earlier. Of the total, about 36 million pounds consisted of wool acquired under the 1953 support program and about 86 million pounds of wool acquired under the 1952 program.

TOBACCO

Domestic consumption of both flue-cured and Burley (major cigarette types) in the current marketing year is likely to be around 3 percent below the record highs of 1952-53. Domestic consumption of most other types of tobacco in the 1953-54 marketing year probably will be fairly close to that in 1952-53.

Cigarette output in the United States during the fiscal year ending June 30 is estimated at near 416 billion--4½ percent lower than the record of 1952-53. King size cigarettes undoubtedly accounted for a larger proportion than a year earlier. Filter tip cigarettes are increasing though they are still a small fraction of the total.

Cigar consumption for the fiscal year ending June 30 is estimated at 6 billion--practically the same as in 1952-53--but output of smoking tobacco probably was down by about 7 percent. Indications are that a slight decline occurred in chewing tobacco manufacture but output of snuff probably rose a little over 1952-53.

Exports of unmanufactured tobacco for the year ending June 30 are estimated at about 530 million pounds (farm sales weight)--5 percent larger than in 1952-53. The 1954-55 tobacco exports may show some further gain.

The 1954-55 supply of flue-cured probably will be larger than for 1953-54. The crop is expected to be larger than last year's and carryover will be up a little. The 1954-55 supply of Burley probably will be slightly above 1953-54 since the increase in carryover seems likely to more than offset the expected decrease in this year's production. The 1954-55 supplies of fire-cured, Maryland, continental cigar filler, and binder tobacco are expected to be smaller than in 1953-54 but supplies of dark air-cured probably will be a little larger.

About 57 percent of the 1953 crop of Maryland had been marketed by June 19. Prices at auctions averaged 56 cents per pound--10 percent higher than in the same period of last year. About 15 percent of auction deliveries of Maryland tobacco was placed under Government loan for the season through June 19.

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